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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

The No-Control Cotton Plan

Introductory Note

Since I spoke at Little Rock on August 5, plans have been announced for a limited export subsidy on wheat. Under the special circumstances affecting the world wheat market, Secretary Wallace believes such a measure will be beneficial. However, simultaneous with this move, efforts are being made to persuade farmers to seed only 55 million acres to wheat for harvest in 1939, compared with more than 80 million acres planted for harvest in 1937 and 1938. The limited export subsidy for wheat for temporary purposes is in no sense a substitute for the wheat acreage adjustment program. Similarly the price adjustment payments for cotton, which operate as a form of export subsidy, are in no sense a substitute for the cotton acreage adjustment program.

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All of you have heard a good deal lately about proposed substitutes for the present cotton program. You have been told that these are simpler and would be more effective than the present program; that they would restore our foreign market for cotton; and, furthermore, that they would mean more income for the cotton farmer. If any of these proposed plans would do all these things, we would be foolish not to substitute it for our present program. If a Federal program for cotton is necessary, and there seems to be general agreement that it is, we should develop and put into operation the soundest plan, the plan that would mean most to the cotton industry as a whole.

First, however, let us agree on what we mean by these substitute plans, called by various names and embodying various proposals.

Adapted from an address by I. W. Duggan, Director, Southern Division, Agricultural Adjustment Administration, at Little Rock, Ark., August 5, 1938.

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How would they operate and what changes from the present program would they involve? They all have one central feature in common, and that is they would abandon all measures to balance supply with available profitable markets.

Many Export Devices Proposed.—To understand these "no-control" proposals, we need to think back to some of the plans that were offered 10 or 12 years ago when export markets still appeared to be unlimited. In one form or another, they proposed some sort of export subsidy. Under them, the return to the domestic producer of the great export crops such as wheat and cotton would be greater than the selling price of these crops in foreign markets. Farmers wanted to keep their export markets. At the same time, they saw that the surpluses which were piling up at home were depressing the price for the entire crop. If some means could be devised of getting the surpluses out of the country, the farmer would get—in one form or another—a reasonable price and income from the portion of the crop consumed in this country. It was assumed that the export market would take, at the so-called "world price", any quantity offered. At the same time, some plan had to be worked out whereby the farmers would be assured of a fair return on the portion of the crop which remained in this country.

The devices proposed for increasing exports and the returns to cotton, wheat, and other producers were varied. We heard a lot about the equalization fee, the export debenture, and the domestic allotment. The plans differed as the early automobiles differed, but the objectives of the proposals were much the same. The principles behind them had the support of Henry Wallace, M. L. Wilson, Chester Davis, Cully Cobb, and most of the men who have helped plan and administer the programs we now have.

Calvin Coolidge as President vetoed the McNary-Haugen bill twice and the second Coolidge veto killed the McNary-Haugen plan. Later the export debenture plan was defeated also. Herbert Hoover, who along with Coolidge, Mellon, and others had opposed the equalization fee and export debenture plan, led the way in setting up the Farm Board. With the half billion dollars made available by Congress as a revolving fund, the Board sought to stabilize commodity prices through the medium of loans and outright purchases. Before the Board acknowledged defeat and abandoned stabilization efforts, its members were convinced of the necessity for some control of agricultural production.

U. S. Had Lost Large Part of Foreign Market.—Meanwhile, the agricultural situation abroad and in the United States was changing. The Smoot-Hawley tariff of 1930 and the abandonment of our policy of lending other nations money to buy our goods brought about the loss of a large portion of our foreign market for agricultural prod-

ucts. Our tariff policy contributed to the world-wide movement toward nationalism. In 1933 Congress probably would have enacted the McNary-Haugen bill again had not agricultural leaders recognized that the time for the bill had passed. They recognized that the rest of the world would refuse to take unlimited surpluses of American farm products, no matter how low the price. The men who had fought hardest for the McNary-Haugen measure during the 1920's rejected it in 1933 in favor of the Agricultural Adjustment Act. They decided some control of production was necessary in any national program for agriculture.

The idea behind the domestic allotment plan was not abandoned with the enactment of the Agricultural Adjustment Act. The need for some means to recompense the farmer for handicaps not of his own making remained. The payments in connection with the first wheat program, the program of 1933, were payments on the domestically consumed portion of the crop. A condition of the payments, however, was that the cooperating farmer adjust his wheat acreage.

The A. A. A. cotton program includes similar payments. In 1935, the A. A. A. recognized that the 12-cent loan of 1934 was too high. A loan at a lower rate was substituted and cooperating producers received cotton price adjustment payments. As part compensation for the low price, cotton price adjustment payments are being made again this year on the 1937 crop and 212 million dollars has been earmarked for similar payments on the 1938 crop of cotton, wheat, corn, tobacco, and rice. In the case of cotton, these payments are a frank recognition that production control has its limitations. To try to reduce our cotton surplus to normal in 1 year would be like starving one's self to reduce weight.

Under a "no-control" plan depending mainly on export subsidy for its success, our cotton would be sold abroad for a cheaper price than in this country. There is no assurance that through such a plan parity price would be achieved. It would require a good deal of money from the Treasury—a good deal more than farmers are getting for cotton under the present program. The price of cotton would be much lower and the payments would have to be much higher. Frankly, I do not believe cotton farmers can get one dime more for such a "no-control" plan than they can get for the present program.

Domestically Consumed Cotton Now Bringing Fair Return.—As a matter of fact, if domestic consumption this year is what it was during the year which ended July 31, 1938, farmers will be getting pretty close to parity on the domestically consumed portion of the cotton crop. This country consumed not far from 5.75 million bales in the season just closed. The soil conservation payments and the parity payments to be made on the 1938 crop will equal or exceed

200 million dollars. This is about 7 cents a pound on 5.75 million bales. If the price for the 1938 crop averages between 8 and 9 cents, this price plus the payments will equal 15 to 16 cents on 5.75 million bales.

Parity just now is around 16 cents, but, lacking any control of production, the price of cotton in 1938 would be lower and more than 200 million dollars would be required to give the producers a return approaching parity on 5.75 million bales.

The so-called Agricultural Equality Bill, a bill which seemed surprisingly strong in the last Congress, is an export subsidy bill. It proposed, however, to fix the price of the domestic portion of the crop. In my opinion the simpler form of the "no-control" plan—for price fixing is a very complicated and drastic enterprise—is the more feasible. Consequently, most of the discussion today will be devoted to it although I plan to talk about price fixing before I am through.

Unrestricted Production Would Have Disadvantages.—I have said that the current cotton program embodies an essential feature of the real domestic allotment plan. If that is so, what is the difference between the current program and the so-called domestic allotment plan and others now being proposed? So far as I have been able to determine, there is only one real point at issue. The supporters of these substitute plans do not want any kind of production control for cotton. They want unrestricted production of cotton year in and year out. In reality, they want a big acreage of cotton and a big crop. The subsidy that they propose would be, in effect, a production subsidy. It would be paid on a certain portion of the crop regardless of how much was planted or produced. It is apparent that an assured price on a portion of the crop would be a big temptation to gamble on the price for the rest of the crop, particularly in view of the fact that the South has the land and labor for a large volume of cotton production.

What do the advocates of these substitutes tell us? Abandonment of any attempt to control production, they say, would make the program simpler. They assert it would be a comparatively easy task to calculate each producer's domestic allotment, or that portion of his past production upon which he would be paid. That is open to some question. For example, we would still require formulas to calculate cotton acreage for the States, the counties, and finally for the individual producer. We would have the same outbursts when the allotments were given the farmers. We would hear once more the old familiar complaint that so and so, a cotton hog, had been given a bigger allotment than his neighbor who had diversified.

If such a plan were adopted, some method would have to be worked out to increase the subsidy whenever the price might fall. Otherwise, the subsidy could not compensate for the decrease in price. I

doubt that money could be found for these increased payments. Let us grant, however, that the funds might be available. Think of the struggle for increased allotments as the growers would become more and more dependent upon the Treasury.

The proponents of these substitutes mention the simplicity of their program only as one inducement for its acceptance. Their strongest argument is that their plan would regain our foreign markets for cotton. They tell us that we would again dominate the world cotton market.

For one, I cannot see that this domination means anything unless it helps the growers. Beyond a doubt, however, the accelerated increase of foreign cotton production within the past 6 years has led cotton growers to wonder whether some means could be found to check that long-time trend. Over and over they have heard that while we grew 64 percent of the world's cotton in 1931, last year we grew only 50 percent. In newspapers, in magazines, over the radio, and by word of mouth the story has spread. It has been repeated in every imaginable form. In 1932 we exported 8.4 million bales. For the last four seasons, since 1933–34, we have averaged only 5.5 million bales. World consumption of American cotton was almost 14.4 million bales in 1932. For the 1937–38 season it declined to approximately 11,200,000.

Substitute Programs Discussed.—Leaving the discussion of the foreign cotton situation for a moment, it would be a good idea, perhaps, to state the main assumptions upon which the proposed substitute plans rest. Those who contend that any of them would be a success, must take for granted—

(1) That such a plan would regain the cotton markets we have lost;

(2) That such a plan would mean a satisfactory income for cotton producers;

(3) That surpluses would not increase to the point where they would break down the entire program;

(4) That a large acreage in cotton would not interfere with the present attempts to increase the fertility of Southern soil and grow more food and feed for home use.

A plan lacking production control might be simpler than the present program, but it would not be simple. For the sake of argument, let us grant that it would be simpler and pass on to the contention that such a plan would regain our foreign markets for cotton. What does this mean? It is the contention that cheap cotton is necessary to regain our foreign markets. The charge that the A. A. A. programs for cotton have been responsible for the decline in our foreign market for the staple is at the same time an admission that the program did raise the price of cotton. If the

price had not been increased, it would not be claimed that the program caused foreigners to increase their acreages.

For several years opponents of this program have shouted that we could sell cotton if only we would cease our attempts to raise prices. The price of cotton fell precipitately in 1937 and averaged only a little more than 8 cents for the crop. It is doubtful whether 8-cent cotton will pay for the cost of production even of the record crop of 1937, and with normal yields 8 cents will not pay this cost; yet it is evident that cotton will have to go below 8 cents before we regain our foreign markets. Our exports for the season just ended were approximately 5.6 million bales, or only 150 thousand bales above what they were during the previous season when the price averaged 4 cents higher.

With cotton at 8 cents, we now have renewed agitation for increased production and that of necessity must be an argument for lower prices. I am wondering whether there is not a point below which we should not go in our effort to hold and expand the foreign market. Can we afford to give away the fertility of our soil and exploit the labor of our Southern farmers indefinitely just to export a large quantity of cotton?

Would Low Prices Regain World Market?—There is another question in connection with this agitation for a huge volume and cheap price for cotton which should interest the entire South. Is there any certainty that we can drive the foreigners out of the cotton market with a very low price for cotton? Not if we judge the future by the past. Save for an interval due to the World War, the trend in foreign cotton production has been upward consistently for more than half a century. We have had many large crops of cotton in that period and the price of cotton has ranged from 5 to 40 cents. Since 1870 we have had 19 record crops, each larger than the preceding one. In only four instances did foreign acreage decrease following our record production. In the other 15 instances, foreign cotton acreage actually increased. It is true that a cheap price for cotton tends to discourage cotton acreage in this country and abroad. Other factors enter in, however, and they may more than offset the effect of cheap cotton. To ignore these factors and credit all the increase in foreign acreage and production since 1932 to this program may be excellent propaganda. Unfortunately, propaganda will not solve our cotton problem.

In all probability, most of you have heard as much or more about the expansion of acreage and production in Brazil than about the expansion in any other foreign country. Brazilian cotton is directly competitive with American cotton and acreage in Brazil has expanded from 1 million to almost 7 million acres since 1920. If we study that expansion, however, we discover two significant facts.

Through monetary devaluation and exchange devices, Brazil has kept the price of cotton to Brazilian producers at or above the predepression price. On the other hand, as you well know, the price of cotton in the United States has ranged from two-thirds to one-third of predepression prices. At the same time, the price of Brazilian cotton has been very high in relation to coffee, Brazil's principal agricultural commodity. This has proved a powerful stimulus to the shift from coffee to cotton.

In the 1925–29 period, the price of a pound of cotton in Sao Paulo, Brazil, averaged only about 10 percent more than the price of a pound of coffee during the harvest season for coffee. The margin in favor of cotton expanded greatly after 1929 and with the widening of the spread between cotton and coffee, cotton acreage rapidly began to expand. Instead of lessening, the spread has increased. In 1930 the spread in favor of cotton was 47 percent; in 1932, 90 percent; in 1933, 143 percent; in 1935, 176 percent; and in 1937, 80 percent.

Foreign Acreage Has Expanded.—Since 1925 the total foreign acreage has expanded from 43 million to 58 million acres. 90 percent of this expansion has taken place in Brazil, China, Russia, and Uganda. It is generally admitted that the increase in Russian cotton acreage has little, if any, relation to our own programs. China is governed more by our own course than Russia, but we have comparatively little influence there. China's expansion traces back to the rise of the textile industry in Japan and China. Uganda's increase is related to a colonial development policy of long standing and one that has encouraged cotton growing regardless of the price from year to year. Thus in the four countries that have in reality been responsible for the foreign increase, we find factors which would have caused expansion regardless of our course.

We find forces with little relation to our cotton production that are directly related to our decrease in exports. Germany, for example, increased its purchases of Brazilian cotton while curtailing purchases of American cotton. Germany, however, did not do this because Brazilian cotton was better or cheaper, but for the simple reason that it could not obtain dollar exchange to buy our cotton. The loss of exports to France and Italy and other countries also is in large part due to our refusal to admit their products. They can not get dollar exchange to buy our cotton, our wheat, our corn, and other farm products.

Any plan which involves no production-control might be a little simpler to operate than the present program. At the same time, it would make the cotton grower more dependent upon the Government than he is at present. With a cheap price for cotton, the producers would depend for a large part of their income upon a subsidy; that is, they would have to depend upon the subsidy to

supplement a ruinously low return for their crop. A balanced production program is much more in line with our traditional American system than is a plan encouraging unlimited production. In the present program, the Government assists the farmer to adjust his supply to demand and to do it in an orderly way so that the excess will not upset our economic system. On the other hand, a plan involving unrestricted production of cotton, for example, and a subsidy to compensate him for price, would make the producers almost utterly dependent upon the Government. Especially would this be true if the revenues for the subsidy came out of general Treasury funds rather than from a special tax on cotton. The more effective such a program might temporarily be, the greater the blow if it should be abandoned.

Retaliation Open to Foreign Countries.—The United States has no monopoly on subsidies. If we should grow so much cotton at such a cheap price that it would threaten the products of our competitors, they would retaliate. This retaliation might take the form of subsidies similar to ours; it might take the form of quotas or of devaluation of currencies. By lowering the price of cotton sufficiently, we probably could check further expansion of foreign production. That is, we could check it for a time. Then, if supplies ever were adjusted—as they would have to be—we would face the same problem we face now. Foreign acreage would begin to increase. The moment the price rose to reasonable levels all our work would be undone.

The South wants to keep its foreign market for cotton only if the retention of the market will help the cotton industry as a whole. It is obvious, I think, that any plan which helps the cotton industry as a whole must help cotton producers. Or to state it another way, a satisfactory program must increase the income of cotton producers. Furthermore, the South and the South's cotton producers are interested in a substantial volume of cotton only if that volume will yield a comparatively high income. Other groups need to be reminded from time to time that farmers grow cotton for cash and in the hope, however, vain, of a profit. A huge cotton crop mocks the men and the women and children who produced it if it drives down prices and income as huge crops so often have in the past.

The "no-control" advocates insist, however, that their plan would result in more income for cotton farmers. On the basis of past experience, let us see what would happen if we abandoned all attempts to keep production within bounds.

We have just finished the 1937–38 season when world consumption of American cotton was 11.2 million bales. The price received by producers averaged about (8.5) cents, and the carry-over now stands at the enormous figure of 13.4 million bales. Certainly those who

favor the "no-control" plan can have no criticism as to the size of the 1937 record crop of nearly 19 million bales. Nor can they object to the size of the present carry-over which is the highest on record and more than the past season's total consumption of American cotton. Their objection must be to the effect on price of the control program.

I think we may safely assume that the price of cotton is at least 2.5 cents higher than it would be if there were no program. Otherwise, the domestic allotment advocates have very little reason indeed for urging that we substitute their plan. And if the present program, including both acreage adjustment and the loan, is not responsible how can they account for the fact that the price of cotton is not lower now than it was in 1932? The world supply of all cotton is larger now than it was in 1931 and 1932, but the price was around 5 cents then, and now it is over 8 cents.

Increased Carry-Over Would Mean Reduced Incomes.—With the price influence of the present program in mind, what would be the situation of cotton growers during the 1938–39 season if a "no-control" plan were to be in effect? Under the present plan, about 27 million acres are in cotton. Under a "no-control" plan, the acreage could be as high as 40 to 44 million, but let us assume a more probable figure of 38 to 40 million. If 27 million acres were to produce a crop of 11 or 12 million bales, an acreage of 38 to 40 million would produce a crop of say 15 million bales. We might thus, by conservative estimates, have a production of 4 million bales more under a "no-control" plan than under the present plan.

Lower prices under a "no-control" plan might add another million bales to consumption. From 1 million to 2 million bales is about as much of an increase as we have ever had from one year to another under the most favorable price and demand conditions. By the end of the 1938–39 season with a "no-control" plan in effect, the carry-over might be 3 million bales greater than at present; while under the present plan it might be a million bales less. This carry-over difference between the two plans would alone make for a lower price to the extent of at least a cent and a half and probably more.

What would a "no-control" plan in 1938–39 mean to gross income? Let us assume here that there would be no difference in Government payments. Keep in mind that a "no-control" plan would mean abandonment of the loan on cotton, as well as any attempt at production adjustment. Let us assume also that an 11-million-bale crop in 1938–39 would sell for 9 cents, and that a 15-million-bale crop under a "no-control" and no loan plan would sell for 3.5 cents less. At 9 cents, a crop of 11 million bales would be worth 495 million dollars; but a 15-million-bale crop, if the price were 3.5 cents less, would be worth only 412.5 million dollars. Even if adoption of a

"no-control" plan should result in a price only 2.5 cents less than under the present plan, there would be practically no greater gross income for the 15-million-bale crop than for the 11-million-bale crop.

From the standpoint of the cotton grower, there are additional factors to be taken into account. One is the increased cash outlay for cultivating 38 to 40 million acres as against cultivating only 27 million acres. Cultivating and harvesting 11 million additional acres probably would cost growers an additional 100 million dollars. This 100 million dollars would come out of the farmers' pockets and in calculating the net returns under a "no-control" plan we must deduct 100 million dollars for the cost of growing the extra acres.

Even if we assume that the gross return on such a "no-control" plan would be more for the 1938–39 season than the present plan, what about 1939–49? It is evident that the price of cotton would continue to decline as the supply increased. And once losses have begun under a "no-control" plan, the tendency would be for them to grow greater each year.

Voluntary Reduction of Acreage Has Not Occurred in Past.— But, argue supporters of the plan, after the price of cotton has sunk to unprofitably low levels, production would be reduced. Over a period of several years this might be true. Until we change the present economic system, the supply of cotton probably will dictate the market price. What the "no-control" proponents are saying, however, is that the farmer should be left to adjust his own production in his own way. The South learned during the depression, and before, the results of such a policy. In the early stages of the depression farmers did decrease their acreage some, but at the depth of the depression, instead of reducing production, the growers increased their acreage in a desperate effort to make up in volume what they lacked in price. Eventually, they would have had to quit producing because they would have been without tools, supplies, food, or anything else necessary to make a crop. And eventually, the same sort of drastic adjustment might be made under a "no-control" plan. For my part, I believe Southern cotton growers prefer an orderly adjustment, an effort to solve our problems by cooperation rather than the adjustment made by bankruptcy and ruin. I believe they prefer to continue to build up their soil.

There is still another factor in weighing any "no-control" plan. Under the present program much of the land shifted out of cotton is used to raise food and feed which in turn reduces the growers' cash outlay on the farm.

The return to 40 million acres of cotton annually means a reduction in food and feed crops in the South. In the first place, even less land than the present acreage would be available for these crops.

In the second, a program to encourage their production would be lacking. Not the least contribution of the A. A. A. programs has been the stimulus given to the growing of more food and feed for home use. A fixed subsidy on a certain part of the crop would remove the incentive to increase food and feed production for home use just as a large acreage in cotton would remove the opportunity for the increase.

During the past 5 years, we have done something which in the long run may prove the most important part of the A. A. A. programs. We have begun to repair some of the damage to our soil, damage which began almost as soon as the land was cleared. You are familiar with the increase in soil-conserving crops in the South under the A. A. A. program and with the increased yield of cotton. The program may not be responsible for all the apparent increase in fertility, but it is responsible for some and, if continued, will be responsible for more.

"No-Control" Plan and Soil Conservation Don't Go Together.— The suggestion has been made that a "no-control" plan could parallel and include a soil-conservation program. The two could not go together very well. The removal of all restrictions upon cotton production would mean a large acreage increase. Any program which results in a huge acreage of cotton will result in continued exploitation of the soil of the South. Any program which shifts enough land out of cotton to contribute materially to soil conservation will be in reality production control.

Any program which results in a large acreage of cotton increases the labor of women and children in the fields of the South. It has been estimated that one-fourth of the labor needed to produce and harvest a sizeable crop of cotton is performed by women and children, and farmers know all too well what a large acreage and large crop of cotton mean to the women and children of the South.

If the "no-control" advocates believe that the price for cotton since 1933 has been too high, they should remember that the South's position was not enviable even when cotton was 20 cents a pound and more. The income for farmers of the South over a long period of years has been only half that for farmers in other areas. During the so-called golden period for agriculture, the 1909–14 period, we had the tenant problem, the share-cropper problem, the problem of eroded land, sorry schools, and other camp followers—the greatest problem of them all—poverty. Cheap cotton has been the curse of the South for generations. Now the cure offered is still cheaper cotton. It is like telling a merchant who is losing money because he is selling goods for less than they cost him to remedy the situation by giving his stock away.

I have talked of the "no-control" type of plan as if it always takes the form of a subsidy paid directly out of the Treasury. In doing so, I have assumed that the domestic price of cotton and the world price of cotton would be the same. This is not necessarily the case under all forms of the plan. As I said a little while ago, measures which had strong support in the last Congress contained price-fixing features. The price of the portion consumed in this country would be fixed at the cost of production. The rest of the crop would be dumped abroad.

This proposal has all the faults of the "no-control" plan I have discussed and it adds a few of its own. For example, the bills which were introduced and considered in Congress last session promise the "cost-of-production" on the domestically consumed portion of the crop. Undoubtedly, the cost of production under that Act would be set at parity or above, and with a comparatively high price assured for a large part of the crop, the producer could afford to and would gamble on the price for a heavy production over and above his allotment.

Pegging Cotton Prices at Too High Figure Would Encourage Use of Substitutes.—The most serious objection to the so-called "Agricultural Equality Act," is that it probably would reduce the domestic consumption much more than our attempts to dump cotton abroad would increase exports. Pegging cotton prices at a high figure would drive many more consumers to the use of rayon and other fibers which substitute for cotton. Even with cotton at its present low levels, the competition from synthetic fibers is increasing. Since 1928 the world production of rayon has increased from 360.4 million pounds to 1,808.7 million pounds. Unless a high tax were placed on fibers which compete with cotton, price fixing would have serious effects on our domestic market. And if we place a tax on competitive fibers, we would have to continue that process indefinitely. The process of competition extends beyond textiles to foods and products used in almost every phase of manufacture and industry.

Under the price-fixing proposals, dealers would be required to pay farmers the cost of production. This would necessitate licensing of dealers, or a procedure which would amount to the same thing. In turn this would mean regimentation for some of the groups which have opposed bitterly every extension of Federal authority. The dealers and handlers who are shouting for a "no-control" plan may be like the frogs in the fable who wanted a King. They may get King Stork, otherwise known as price fixing.

The cotton industry has all that it can do to meet the competition of synthetic fibers without putting the staple at a further disadvantage. We need to develop new uses of cotton if the product is to

hold its own in the face of continued improvement of cellulose and other synthetic materials. During the past 2 or 3 years, the Chemurgic propagandists have led some of us to believe that new uses for cotton would solve the surplus problem for cotton and for other farm products as well. On the basis of present indications, research—or Chemurgic, if you want to call it that—is developing new uses for products that compete with cotton at a more rapid rate than it is developing new uses for cotton. A couple of years ago we were told that Chemurgic would find a way to use the cotton if only we would abandon production control and would grow a large quantity of cheap cotton. We have the huge supply and the cheap cotton but not the new uses. A bale of cotton is so cheap that it will buy only a little more than half as much as it would in 1909 to 1914. The Chemurgic episode reveals clearly the fallacy of cure-alls and extravagant claims for something which, while useful, is only one phase of the effort to help cotton growers.

Cure-All Remedies Offered to Farmers.—Another cure-all is tariff reduction. Southern farmers will do all they can to reduce trade barriers, but they know that this is a slow process—too slow to abandon what they have while they are waiting for the tariff to come down.

The Chemurgic cure-all and now the "no-control" cure-all have originated from groups other than farmers. I have never heard of those other groups asking the advice of farmers about their own problems. I do not want to be put in the position of rejecting or resenting the aid of groups outside agriculture. We need help but, in the last analysis, we must save ourselves. The movement which culminated in national programs for agriculture was a farm movement. Many of the men who now are coming forward with alternatives to the present plan opposed any aid for agriculture in by-gone days. To be frank, the interests of the cotton handlers, the railroads, the port interests, and other commercial groups lie in a large volume of cotton. Many of these men are sincere men; many of them genuinely interested in agriculture. We want and need their cooperation in the interests of the entire South. However, let us remember this: Any group which writes a program will keep its own interests in mind. As Francis Gould Hickman, publisher of the Cotton Trade Journal, recently said: "What touches our pocketbook motivates our thinking."

In that same edition of the Trade Journal is an article by Oscar Johnston, cotton grower of Scott, Mississippi. For years Johnston has been a leader in the movement to draft a sound program for cotton. I do not believe there is any doubt that his first thought is the welfare of the producers themselves. This is what he said about the proposal to abandon production control:

"The only argument thus far advanced to support the theory of unlimited production is that America can, by that policy, recapture world markets. This argument is neither economically sound nor factually accurate. In the first place, the American producer cannot, pound for pound, produce cotton and deliver it in the markets of the world below the price at which it can be produced by other countries. It is suggested that the Government subsidize the American farmer to enable him to meet foreign competition. We have no monopoly on brains or ingenuity, and no patent on the idea of subsidizing. The other cotton producing nations can just as easily subsidize their producers, and since those nations are willing to buy abroad, the amount of subsidizing which they would have to do would be less per pound than would be required of America.

"If we can keep our markets only at the price of poverty and penury on the part of the American producer, my answer is that the price is too high; the American farmer cannot, and would not if he could, pay it."

Many industrialists are among those urging agriculture to abandon all efforts at production adjustment and to produce cheap foods. I can readily see where cheap foods might mean cheap wages. We have yet to see, however, any manufacturer, who proposes to produce regardless of demand and price. On the contrary, all of them are calculating their production on the basis of what they can produce at a profit. Keep in mind, too, that they set the price they ask for their product. The farmer goes, hat in hand, and does the best that he can in the market place. The theory that it is sound business sense for the manufacturer to practice production control and a sin for the farmers to cooperate in an effort to adjust their production is an insult to the intelligence of farmers generally.

Production control, as you all know, is not an end in itself. The ideal situation would be a huge crop of cotton at very high prices. The two do not go together. We cannot have our cake and eat it, too. We must keep our production from wrecking us, and at the same time remember that control is strong medicine and it is to be used as sparingly as possible.

As these programs progress, the need for compulsory or a rigid type of control may disappear altogether. It is entirely possible that a voluntary program, a program along the lines of the 1936 and 1937 programs, might keep production in line with available markets and might give us parity income on all the crop and not simply on the domestic portion. I think we should aim at parity income on all the crop. To make such a program successful, cotton farmers, in my opinion, would have to have inducements which would make participation in the program almost automatic. These inducements

would have to be greater than we have ever had, but could—and may—be given. A voluntary program, however, is quite a different matter from a return to 40 million or more acres of cotton each year for the avowed purpose of making cotton cheaper.

What Would Happen With Uncontrolled Surpluses?—In my opinion, a number of things would happen if we should adopt any plan resulting in uncontrolled surpluses and all of them would be bad:

(1) We would not regain our former position in the cotton market unless at the same time we should drastically reduce tariffs.

(2) Our already large cotton surplus would increase year by year until it would reach fantastic proportions. The surplus, once accumulated, would offset for a period of years any effort of farmers to adjust their production.

(3) The price for cotton would sink to the lowest levels in history.

(4) The subsidy given producers would not be nearly enough to compensate for the cheap price.

(5) The South's already inadequate income would decrease and with the decrease would come a corresponding increase in poverty and misery.

(6) The South would return to the exploitation of its soil and the production of food and feed for home use would be decreased.

(7) Finally, the scheme would collapse and leave us the wreckage to clear away before another sound program for agriculture could be developed.

The choice of a program for cotton depends upon you and upon other farmers of the South. I am convinced that, given the facts, your choice will be a sound one.

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